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STATE FOR PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A

TAGS: [ETTC](#) [LO](#) [EZ](#)

SUBJECT: CZECH REPUBLIC: BLUE LANTERN PRE-LICENSE CHECK ON
APPLICATION 050055717

REF: STATE 106760

¶1. SUMMARY AND COMMENT: Emboffs visited Banzai, Ltd. General Sales Manager Lukas Trachta at his office August 8 to conduct a pre-license check on the purchase of M-60 machine gun parts for the Czech 601st Special Forces Group (601st). Trachta said his firm is acting as a broker for the 601st, and will receive the parts from the U.S. supplier and then ship them to the Czech unit within a few days. DAO confirmed that the 601st had placed the order and will use the M-60 parts itself. Banzai appears to be a small, 12-employee military article importer/exporter with limited experience importing military articles from the United States. From the site visit, discussion with Trachta and Banzai's prior business involving USML articles, the company appears to be a reliable broker for imports of this size. End summary and comment.

¶2. Emboffs visited Banzai's business office located in a lower-income residential and commercial district of Prague. The office is located on the second floor of a large apartment building, which does not appear to be designed for storage of military items. The business office did not have a visible security system, and a number of the workspaces had large glass windows that faced directly onto a publicly-accessible walkway. Emboffs noted a number of military items in the office space, including grenade launchers, rifles, and pistols. Most of these items appeared to be demonstration or non-working display models. Trachta told Emboff that Banzai's warehouses are equipped with all security features (alarms, locks) required under Czech law, and noted that one of their warehouses is currently storing thousands of automatic rifles. The warehouses are not co-located with Banzai's business office, but Trachta said it would not be a problem to show the warehouse and security arrangements to USG representatives, if requested.

¶3. According to Trachta, Banzai was formed in 1991 as a limited trading company with two partners, himself and Mr. Vaclav Siroky. The company currently has ten employees and deals with three areas of business: export of new arms from the Czech Republic, import of new arms to the Czech Republic, and wholesale within the Czech Republic to civilian and state buyers. The majority of their income and profit comes from export of surplus military articles, although Trachta noted that the surplus business is very cyclical and that Banzai has had some difficult years financially. Within the Czech Republic, the company distributes arms to 40-50 retailers. Banzai is an authorized distributor of CZ, Smith & Wesson and Mossberg arms.

¶4. Trachta said Banzai's export business began in the Baltic states, and the company continues to work in Estonia, Lithuania and Latvia. Their recent customers have been

located in Russia, Slovakia, Hungary, Bulgaria, Georgia and Khazakstan. Trachta provided Emboffs with a copy of Banzai's Czech license to operate an arms import/export business, which listed 129 countries as their territory of operation. Trachta understands the restrictions on USML articles and he noted that they have been involved in importing of these articles in the past. He specifically mentioned an export deal to Georgia in 2005 which involved Banzai, U.S. firm General Dynamics, and Office of Defense Cooperation. He stated that Banzai has the proper firearms license and import permit for the M-60 parts listed on the license application.

15. Trachta explained Banzai will act as a broker for the Czech 601st and will receive the machine gun parts from U.S. Ordnance and then store them in one of their warehouses. Banzai expects to ship the parts to the 601st two to three days after receipt. DAO representatives confirmed in a conversation with 601st that the Czech unit had ordered the machine gun parts for their end use.

GRABER